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RUEHLO/AMEMBASSY LONDON PRIORITY 1452
RUEHNK/AMEMBASSY NOUAKCHOTT PRIORITY 0986
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RUEHRB/AMEMBASSY RABAT PRIORITY 8538
RUEHTRO/AMEMBASSY TRIPOLI PRIORITY 0225
RUEHCL/AMCONSUL CASABLANCA PRIORITY 4216
RUEHDE/AMCONSUL DUBAI PRIORITY 0155
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY

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SIPDIS

SENSITIVE
SIPDIS

STATE FOR NEA/MAG (HARRIS)
STATE PASS USTR (BURKHEAD)
USDOC FOR ITA/MAC/ONE (NATHAN MASON), ADVOCACY CTR
(REITZE), AND CLDP (TEJTEL AND MCMANUS)
CASABLANCA FOR FCS (ORTIZ)
CAIRO FOR FINANCIAL ATTACHE (SEVERENS)
LONDON AND PARIS FOR NEA WATCHER

E.O. 12958: N/A

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SUBJECT: TUNISIAN INSURANCE SECTOR LIBERALIZED, IN THEORY

Summary

¶1. (SBU) New legislation liberalizing the Tunisian insurance sector now permits 100 percent foreign ownership of insurance companies. However, President of the General Commission for Insurance Abdellatif Chabaane told American International Group, Inc. (AIG) Assistant Vice President for the Middle East Youil Homsy that he did not intend to grant any new licenses for insurance companies. Even without a new license, AIG is studying entry into the Tunisian market through the purchase of or merger with an existing Tunisian insurer. End Summary.

Liberalization, in Theory

¶2. (SBU) On February 13, the GOT passed new legislation which permits 100 percent foreign ownership in the insurance sector. Prior to the legislation, foreign participation was limited to 49 percent of total capital. According to the new legislation, licenses for new insurance companies must be granted by the General Commission for Insurance. During a March 26 meeting with the Ambassador, AIG Assistant Vice President for the Middle East Youil Homsy recounted a recent meeting he had with President of the General Commission for Insurance Abdellatif Chabaane. Although Chabaane was open to AIG investment in Tunisia, he told Homsy he did not intend to grant any new licenses for insurance companies, effectively preventing the entry of any new foreign companies except through purchase or merger. Chabaane told Homsy that the market is too small to grant new licenses and advised AIG to purchase or merge with an existing insurance company. Homsy expressed concern that the Commission would act much as a similar commission in Morocco, which he alleged blocks foreign investment and protects local insurers. However, Homsy told the Ambassador that even without a new license, AIG was still interested in entering the market through

purchase or merger, and that he was in discussion with a Tunisian bank.

Growth Potential with Potential Problems

13. (SBU) Homsy stated that AIG was "keen" to enter Tunisia and that Algeria and Libya were also priorities. He remarked that he was surprised to see the level and maturity of Tunisia's insurance market, but that there was still tremendous growth potential in life insurance. Homsy noted that current regulations restrict insurance company assets to Tunisian dinar-denominated and Tunisia-based investments. He stressed that this regulation limits insurance companies to Tunisian real estate and bank deposits, both of which have low rates of return. Given the importance of diversification for long-term investments, Homsy hoped that the restriction would be eased to permit a certain portion to be invested in the more sophisticated markets of the United States or Europe. He emphasized that this would not impact the balance of payments or the currency.

Comment

14. (SBU) AIG had expressed interest in the Tunisian market in 2007 prior to the new insurance legislation and without any anticipation that the insurance market would be liberalized. For AIG, the timing is certainly fortuitous; we hope that AIG will be able to take advantage of this new opening. However, the ability of the insurance commission to reject the entry

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of new companies may make this liberalization more theoretical than practical. The entry of a major multinational insurer would increase growth in the sector and ultimately, benefit Tunisian consumers and businesses -- a message we will stress in our meetings with the GOT.

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<http://www.state.sgov.gov/p/nea/tunis/index.cfm>
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